

CCW*MD
10/8/41.

In re: STATE LEASE NO. 318

DATE EXECUTED: July 3, 1935.

BY WHOM: Oscar K. Allen, Governor.

LESSEE: William T. Burton.

CONSIDERATION: \$32,750.00 cash and an annual rental to be paid in lieu of drilling operations equal to 1/2 of the cash bonus. The primary term was 3 years. No other bid was made, but The Texas Company made an inquiry of the Register of the State Land Office as to when the notice for receipt of bids was advertised and in what papers. The Texas Company, however, submitted no bid.

NUMBER OF ACRES: Unknown. Approximately 500,000 acres.

NOTE: The terms of this lease contract are so unusual that they are worthy of mention. The lease provided for the drilling of a well within 3 years and that, upon the drilling of a well, lessee should be entitled to select 20,000 acres which could be held without the payment of rentals so long as operations continued. Upon the drilling of another well on property other than the 20,000 acres selected, the lessee was entitled to retain an additional area of 20,000 acres free from rental so long as drilling continued. The same thing would be true of a third 20,000 acre selection. If operations ceased on any of the 20,000 acre tracts selected, lessee could nevertheless retain such tracts by resuming the payment of rentals.

LOCATION: The parishes of Livingston, St. Tammany, Orleans, Jefferson, St. Charles and St. John the Baptist (Lake Maurepas, Pass Manchac, Lake Pontchartrain, Lake St. Catherine, and that body of water known as Rigolets, etc. etc.).

ASSIGNMENTS:

- (1) Under date of July 18, 1935, William T. Burton assigned this lease to The Texas Company for a consideration of \$70,500.00 cash and a 1/24 overriding royalty. Provision was also made that delay rentals were to be paid to assignor if and when they were paid to the State.
- (2) Under date of _____, William T. Burton assigned to Win or Lose Corp. an undivided 3/4 interest in said lease No. 318, and under date of July 3, 1936, the said Win or Lose Corp. transferred back to Burton the said 3/4 interest.

The instrument of reassignment discloses that this was done by Win or Lose to avoid the necessity of paying the delay rental since The Texas Company had previously assigned its interest in the lease back to Burton. This latter transfer was dated June 4, 1936 and was made pursuant to the terms of the original transfer from Burton to The Texas Company whereby it was stipulated that in case The Texas Company desired to abandon operations, and instead of letting the lease lapse, it should be retransferred to Burton.

The total result of these various transfers reverted the entire ownership of the leasehold estate in Burton.

NOTE:

The conveyance records in the parishes affected have been run by the Attorney General's office through May 8, 1941.

DEVELOPMENT
BY LESSEE:

From the information which we have been able to obtain, it appears that the lessee commenced operations June 2, 1938 and that that well was abandoned May 13, 1939. The lessee appears to have complied with the provisions of the lease with respect to drilling operations, insofar as we know, by prosecuting those operations continuously in the sense that not more

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than 90 days have elapsed between the abandonment of one well and the beginning of another. Three wells have now been drilled according to our information, and none have produced.

Under date of March 14, 1941, William T. Burton addressed a letter to the Governor, Register of the State Land Office, Department of Minerals, and the State Mineral Board with respect to this lease, and in that letter he declared that he was at that time drilling on the third prospective area outside of and separate of either of the first two prospective areas. The third well at that time, according to Burton's letter was at 6970 feet, but the main purpose of the letter was notice that he no longer desired to carry on operations on the second prospective area. As heretofore stated, in describing the provisions of the lease, these prospective area were 20,000 acres each, and Burton's letter of March 14, 1941 purports to release the second 20,000 acre selection from the terms of the lease.

~~As is presently understood by the State Land Office, the lease is in effect as to all of the original lands covered by the lease, excepting the second 20,000 acre area which has been released from the lease.~~

REMARKS:

It should be noted in this connection that The Texas Company on July 18, 1935 paid Burton \$70,500.00 and a 1/24 override for this lease, whereas the lease was originally let July 3, 1935 for a consideration of \$32,750.00; it thus appearing that The Texas Company was willing to pay more than twice as much in cash plus an override for the lease, but was not willing to bid for it when no override would have been involved and it could have been secured for considerably less cash than \$70,500.00.

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The transfer from Burton to the Win or Lose Corporation is not of record in any of the parishes wherein lie the lands covered by this lease, but the transfer from the Win or Lose Corporation back to Burton is of record in those parishes.